

AN ADDRESS
ON THE
Railroad Evil ^A_N^D its Remedy

DELIVERED BY
A. A. COHEN, ESQ.,

AT
PLATT'S HALL, SAN FRANCISCO,

ON
SATURDAY, AUG. 2, 1879.

SAN FRANCISCO:
FRANCIS, VALENTINE & CO., BOOK AND JOB PRINTERS, 517 CLAY STREET.
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WILLIAM A. BROWN & CO., PRINTERS AND JOBbers, 101 CALIFORNIA STREET, SAN FRANCISCO.

ADDRESS.

The attention of the Farmers of this State is respectfully asked to the following remarks on the Railroad Evil, which is beyond all question the paramount issue of the day. Those who voted for the New Constitution with the expectation that it would afford relief from the oppressive exactions of the Central and Southern Pacific Railroad Companies, and compel these corporations to pay their share of the taxes levied for the support of the State, County and Municipal Governments will find they have been deprived of all the contemplated benefit of the new instrument, unless they are careful to vote only for those who will pledge themselves to reduce the present net income of the Railroad Companies one-third and to assess all Railroad property by the same rule as is applied to the tools, the teams and the homestead of the Farmer.

LADIES AND GENTLEMEN: The subject on which I am to speak to you this evening—that of the rates in future to be charged by railroad companies for the transportation of persons and property—is one which at this time possesses great interest for the people of the Pacific coast, and one that only in the past few years has assumed its present importance. In other communities, in the centres of business on the Atlantic slope and in Europe, it was thought until lately that the remedy for any evil existing at the hands of the common carrier might be found in competition. But even there, by reason of the consolidation of a number of railroads under one management and the concentration of capital and power in the hands of a few, it has been found necessary to ask legislative protection and relief from the oppression and exactions of the carrier, and the press of the city of New York has within a week demanded that the action be prompt and effective. It has heretofore been supposed that the carrier was the servant of the owner of the property carried, but modern experience has dispelled that view completely, and we find that in these days the carrier is not only the master, but a very hard and exacting master at that. The inhabitants of this coast are peculiarly situated with respect to their transporta-

tion facilities. Bounded on one side by the ocean, on the other by the Sierra Nevada Mountains and the desert beyond, which from the 95th to the 115th degree of west longitude can only be practically traversed by a railroad, they find themselves as completely isolated as if upon an island, and entirely within the control and under

THE DOMINATION OF ONE CORPORATION,

The Central Pacific Railroad Company; and the road of this company having been built with the public moneys, competition is practically out of the question. Private capital will not enter the lists against the Treasury of the United States. It is but a little over ten years since the people of this city rested from their ordinary labors and vocations for one day, to celebrate the laying of the last rail that connected them with their former homes in the country beyond the Missouri. And to-day we occupy the position of having amended the organic law of the State mainly for the purpose of protecting ourselves from the rapacity of the very corporation whose advent we greeted with so much good feeling. California has always been a land of monopolies. Very soon after the discovery of gold, which attracted the present population to these shores, we had the California Stage Company. That was succeeded by Wells, Fargo & Co.'s stage lines, which, with the California Steam Navigation Company—the latter occupying all the water routes in the State—formed a perfect monopoly of all the highways both on land and water. And lastly came the Central Pacific Railroad, which, like Aaron's rod, swallowed up all the rest. I have said that this road was built solely by the aid afforded by the Government, because all the means of the individuals composing the corporation would not, according to their sworn statements of their belongings—at the time the company was incorporated, have sufficed to construct it from the depot at Sacramento to the east side of the American River; and by the testimony taken in the suit of a stockholder against the company it was proven in substance that with the exception of Mr. Hopkins, who appeared to have paid in \$15,000, not one of the present owners paid any more than the first installment of ten per cent. upon their subscriptions of 150 shares each, which was \$1,500. In that suit Mr. Huntington, the Vice President, would not say that he ever at any time contributed to the funds of the corporation from his own moneys more than \$1,500, and it is not probable that his associates paid any more than he did. Upon this slender foundation was this

GREAT GIFT ENTERPRISE OF THE NINETEENTH CENTURY constructed. In discussing the evils under which we labor, and in suggesting to you a remedy for them, it is not my pur-

pose to utter a single word which can wound any one's feelings. This is no occasion for vituperation or the use of harsh or condemnatory language toward individuals. We are to consider simply the facts as they exist, and to deal with them as becomes upright and intelligent men. The personal attributes, the virtues or the shortcomings of the railroad managers can form no factor in the inquiry whether they are charging us rates for transportation which are exorbitant and improper. Therefore I propose to confine myself strictly to the figures, and to show you from those figures that the tariff now enforced by the Central Pacific Railroad Company is one that this State cannot endure without being involved in total and hopeless ruin and bankruptcy. I do not propose to say that the gentlemen who have had the management of this corporation from its inception have acted differently from the manner that I or any of you would have done had we been similarly situated. We may all believe that with our present experience, and seeing their errors, we would have avoided those particular shoals and sandbars whereon they are at present steering, to their inevitable ruin and discomfort; but it is more than probable that in avoiding their particular errors, we should have perpetrated others quite as glaring and equally objectionable. The illustration, however, to be derived from their position is the danger to the welfare, the business and the prosperity of the community, in allowing such vast and irresponsible power to be exercised by a few men. It shows the vice of the legislation which permitted these three or four men to control the commerce of this State and coast until, by their unrestricted exactions, they have almost wholly worked its undoing. I would willingly have foregone this opportunity of addressing you upon this subject. But I feel, as I am sure every intelligent man upon this coast must feel, that the time has arrived when either this powerful corporation

MUST BE BROUGHT WITHIN THE CONTROL OF THE LAW,

or we must abandon the State entirely to its direction. It is the feeling that we, who, by thirty years of continuous labor, have aided to build up this State, to found this great city, should do all that in us lies to preserve it as our home during the little time we have to remain here, and that it may be the unincumbered heritage of the children who are to take our places. And I stand here to-night to present my views to you without one single unkind feeling towards those whose acts I feel myself compelled to criticise. As a corporation the Central Pacific Railroad Company may be said to be *sui generis*. Its conception and its birth took place under very peculiar circumstances. At a time when the people of the United States were contending for their continued existence as a first-

class power among the nations of the world ; when we were struggling to prevent our dismemberment into several distinct and feeble States, the Congress of the United States, as a war measure, and to bind the citizens of the Pacific Coast to their brethren on the Atlantic with bars of iron, threw open the doors of the national treasury to this corporation and issued its bonds for nearly enough to build the road from the western terminus of the Union Pacific Railroad to the Pacific Ocean. It donated nearly twelve millions of acres of land, valued by the corporation at thirty millions of dollars ; and more than all this, it generously and inconsiderately agreed that the corporation might issue its own bonds to the same amount as those issued by the United States, and that the bonds issued by the corporation should be the first lien, the United States accepting the second. The aid thus afforded was more than sufficient to build the road from Sacramento to Promontory, the original terminus of the C. P. R. R. The Government issued in round numbers over \$27,000,000 of bonds and the company issued about as much more, making about \$55,000,000.

I say to you without any fear of successful contradiction, that the road was built at a cost not exceeding \$35,000,000, although it figures on the books of the Central Pacific Railroad Company as costing more than three times that amount ; but if the books of

THE CONTRACT AND FINANCE COMPANY

Are produced, it will be found that my statement is entirely correct. A better road by a better route could to-day be built for twenty millions or less. Mr. Gorham has aptly said that "when this corporation states the cost of the road, to prevent legislative action on its tariff, it is represented at \$110,000 a mile ; but when the Board of Equalization is to estimate it for the purpose of taxation, it is only \$6,000 a mile ;" and this property, which is sworn to have cost about \$110,000 a mile, is assessed for taxation in twenty-two counties of this State at less than \$7,500 a mile. Is this right or proper ? The statute requires that all property shall be assessed at its actual cash value, and it defines cash value to mean that value at which the property would be taken in payment of a solvent debt. The road is mortgaged at \$40,000 a mile. The bonds sell in Wall Street at 9 to 10 per cent. premium. Wall Street does not usually pay a premium for that which is worth only 16 cents on the dollar, therefore such a rate of assessment must be considered an evasion by this corporation of its fair share of taxation and a fraud on the public revenue. In addition to the aid thus given by Congress, there was contributed by the State of California and by the various counties of the State, as follows :

From the State of California, interest for thirty years on \$1,500,000, equal to \$105,000 per annum, of which there has been already paid by the State Treasury.....	\$1,575,000
And the State is obliged to pay the further sum of.....	1,575,000
From the County of San Joaquin (Act of 1865).....	350,000
From the County of Santa Clara (Act of 1862).....	350,000
From the City of Placerville (Act of 1865).....	100,000
From the County of Placer (Act of 1865).....	250,000
From City and County of Sacramento.....	300,000
From City and County of San Francisco.....	600,000
From the County of Calaveras.....	50,000
From the County of Tuolumne.....	50,000

Total.....\$5,200,000

Or about one-seventh of the cost of the overland road built by this company. In the Act of the Legislature which provides for the payment of the \$3,150,000 of interest the consideration expressed is to "defend the State against its enemies." To-night we are met to devise the means of defending the State against the corporate enemy which that bill served to create, and which is a more deadly and dangerous enemy than any external foe.

The explanation of the difference between the actual and the reputed cost of this Central Pacific Railroad has been so often explained that it is probably understood by every one within the sound of my voice, and, therefore, I need say no more than that the difference is

THE PROFIT WHICH WAS MADE

By the Contract and Finance Company in the construction and equipment of the road. A part of this profit was in the Government bonds, and a part of it is represented by the \$54,000,000 of outstanding stock, to which I will presently make further reference. In considering, therefore, what would be a proper result to be derived by the gentlemen who now compose the Central Pacific Railroad Company from the operation of the roads in their charge, I start with these certain and positive facts: That not only was the road and equipment entirely a gift, but in addition thereto they found themselves at the completion of the road the owners of fortunes which would have satisfied the ambition of any ordinary man. They had, without cost to themselves, built a road from which in a few years, they were to derive a net annual income of \$10,000,000, and they found themselves in possession of means sufficient to rank them among the most affluent men of the nation. They were enabled to cover our hills with palaces looking down upon the Golden Gate no less magnificent than those royal residences with which the Sultans of old capped the heights overlooking the Golden Horn. They were enabled to become

the patrons of the most noted artists and sculptors of the world, and to such an extent, that their suddenly acquired wealth exerted a marked influence upon the prices of works of art in all the principal cities of Europe.

We have since the completion of the main line of road donated to this company lands in Mission Bay which its officers represent in their reports to be worth \$7,500,000.

From men who have been so richly endowed much might have been expected. We might reasonably have hoped that, grateful for

THE MUNIFICENT GENEROSITY OF CONGRESS

and of the State, county and municipal governments, they would have felt that a great trust had been conferred upon them; that the people of the Pacific Coast were the beneficiaries of the trust: that this vast property placed in their hands was to be regarded and operated for the benefit of those whose Representatives had voted to confer it. That this view of the position has never been recognized by this corporation we all know. It would have been much wiser, and in the end far more beneficial to the corporation itself, had it been so. And it is because of this failure to recognize the obligations arising from the trust delegated to it, that the people of this State are meeting in all their cities and towns to devise measures for their protection against the misuse of the property which a too-confiding Congress placed in the hands of this corporation. Before the building of the Southern road the city of Los Angeles had the trade of Yuma and a portion of Arizona. Under the impression that they could retain this trade, the people of Los Angeles donated to the railroad company \$750,000, but the road was no sooner completed than the donors of this large sum of money discovered that merchandise was carried at the same rates from San Francisco to Yuma as from Los Angeles to Yuma, and lest it might be surmised that the railroad managers have a warm side for San Francisco I will say that it costs less to-day to transport goods from New York to Yuma than from San Francisco to Yuma. The return made by the President of the C. P. corporation in his last annual report of the business done for the year 1878 shows gross earnings \$17,530,853; operating expenses, \$8,786,118, showing net earnings, \$8,744,740. The amount stated as operating expenses during the past year exhibits a marked increase over the expense of previous years. The cause of this increase may be extraordinary repairs; but as to this I can not speak with any certainty. But the operating expenses shown in the statements of this company are not the actual expenses incurred. There exists, as

THE SUCCESSOR OF THE CONTRACT AND FINANCE COMPANY,

A corporate despoiler known as the Western Development Company, which for some reason not easily understood has in its keeping a considerable part of the operation of the railroad, and the *modus operandi*, as I understand it, is about this: If a man is employed to do a day's work, or a bill of lumber is purchased to be used upon the road, it is purchased by the officers of the Central Pacific for the Western Development Company. The Western Development Company, using the engineers, officers and employes of the railroad company, does the work, and instead of charging the actual cost of the work and material, it adds ten per cent. to each man's wages, and to the cost of each particle of material used; and the bill, including the ten per cent., is collected from the railroad corporation. The ten per cent. thus received by the Western Development Company is a portion of the income that enables it to declare dividends to its thrifty stockholders, who are the Directors of the Central Pacific Railroad Company. So that a very comfortable little dividend is monthly derived by these directors out of the sum which figures in their accounts as the cost of the operation of the road. I have said what were the earnings of the Central Pacific Railroad for the past year. For the year previous, that is for 1877, their earnings were stated to be \$16,985,926; and their operating expenses \$8,321,636—balance, net earnings, \$8,664,290. In these expenditures we find an item: "For maintenance of way \$2,730,592," which includes the ten per cent. profit allowed to the Western Development Company. There is also an item stated as "Miscellaneous expenditures, \$778,554." How much of these miscellaneous expenditures was necessary in the conduct of the legitimate business of the railroad, of course, with the light before us, we cannot tell. But assuming all the items to be entirely proper and correct, leaving out of view the \$200,000 profit to.

THE WESTERN DEVELOPMENT COMPANY.

From the maintenance of way, we find that the average gross earnings per mile for the year 1877 were \$14,003; the average operating expenses per mile \$7,138, leaving net earnings per mile, \$6,866. Of course, we remember that 1877 was the year in which there was a failure of crops over a large area of the State, and Governor Stanford in his report says it was a poor year. But I take that year because I am enabled to contrast its earnings with the earnings of the leading trunk roads of the United States during the same period, and in order to save a multiplicity of figures, to convince you how exorbitant are the rates charged by the Central Pacific Railroad Company, I will state the gross and the net earnings for the same year

on the following roads, viz., The New York Central, the Michigan Central, the Lake Shore and Michigan Southern, the Chicago and Northwestern, and the Chicago, Burlington and Quincy. The New York Central, as you all know, is the busiest road on this continent. As was remarked by the late Commodore Vanderbilt, it runs through a continuous town from New York City to Buffalo. It has 515 miles of double track, 257 miles of treble track, and 220 miles of quadruple track. Its equipment is in proportion to its length and its business. The other roads are no doubt also well known to you. They are the most prominent and successful roads traversing the country east of the Missouri. The New York Central earned in 1877, per mile gross, \$10,752; per mile, net, \$4,708. The Lake Shore and Michigan Southern, gross, per mile, \$11,824; net, per mile, \$3,776. The Michigan Central, gross, per mile, \$8,082; net, per mile, \$2,560. The Chicago, Burlington and Quincy, gross, per mile, \$7,747; net, per mile, \$3,519. The Chicago and Northwestern, gross, per mile, \$6,538; net, per mile, \$2,762. It will be seen, therefore, that

THE NET EARNINGS OF THIS CENTRAL PACIFIC RAILROAD
COMPANY,

the Directors of which are so fearful that you will interfere with its little profits, earned in 1877 more net money per mile than the New York Central and Michigan Central combined; more net money per mile than the Chicago, Burlington and Quincy and the Chicago and Northwestern roads combined; more net money per mile than the Lake Shore and Michigan Southern and the Michigan Central combined. And when you reflect that the Michigan Central does all the business of the State of Michigan between Chicago and Detroit, a large part of the business between Chicago and New York, turning it over to the New York Central at Niagara, and the Lake Shore and Michigan traverses the most populous parts of Indiana and Ohio, running through the city of Cleveland and terminating at Buffalo, where it also transfers the through business to the New York Central; that the Chicago and Northwestern and the Chicago, Burlington and Quincy are the main trunk lines between Chicago and the Missouri River, running along routes on which closely populated towns are but a few miles apart, you will recognize the significance of these figures; you will recognize that the tariff of the Central Pacific Railroad Company which produces such a result as \$6,866 net per mile, in a year of scant business and failure of crops, is levied upon a population not exceeding that of the city of Philadelphia, and you will not fail to perceive how extortionate is the rate of charge that can gather from such a limited number of people a sum of money per mile 50 per cent. greater

than that realized from the busy and overwhelming traffic on the line of the New York Central Railroad. The population from which

THE NEW YORK CENTRAL

Draws its earnings is certainly ten times greater than that which is served by the lines of the Central Pacific Railroad. I find on referring to the appendix to the journals of the nineteenth session of the Assembly of this State the testimony given by Mr. George E. Gray, one of the principal officers of the Central Pacific Railroad Company, in which he says that the New York Central runs trains of from twenty to fifty cars each, at intervals of ten minutes; that they carry 100 tons per day to each ton on the Central Pacific. I understand that Mr. Gray was formerly an employe of the New York Central Railroad, and, although I consider his estimate to be somewhat extravagant, yet, reducing it materially, it serves to illustrate the enormous volume of business upon the New York Central as compared with the Central Pacific, and illustrates, too, how completely out of all decency and all propriety must be the tariff that, with the limited business of the Central Pacific, produces net earnings 50 per cent. greater than those of the principal line in the United States. It is not necessary to weary you with a mass of figures. The details that make up the earnings and operating expenses and other expenditures of this Central Pacific Railroad have been several times shown to the public. They have recently been put before this community in an address delivered by Mr. George C. Gorham, and I therefore need not detain you by repeating them at this time. I content myself by showing to you what is earned by other roads which notoriously have the largest traffic in the country, and I show you that with all their advantages of large population, extended commerce and enormous wealth it takes the earnings per mile of any two of the principal roads to equal the earnings of the Central Pacific Railroad. The case cannot be presented any more strongly by reading a mass of figures which you probably would not recollect, and which, besides wearying, would only tend to confuse you. These

UNREASONABLE AND EXTORTIONATE CHARGES OF THE CENTRAL PACIFIC

Railroad Company must cease, or it will become the owner of every foot of land in this State.

Since the completion of the main line of this company to Promontory Point it has, according to its showing, received as earnings upwards of \$125,000,000. During the same time it shows by its returns that it has expended in operating expenses about \$40,000,000, leaving a

profit of \$85,000,000, from which to pay its interest. It has from those earnings and from the profit made in the building of the road purchased the Oakland and Alameda ferries, the California Pacific Railroad, the roads out of San Francisco known as the San Jose Railroad system, and the boats belonging to the California Steam Navigation Company. It has built a shore line of road from Oakland through Martinez to Tracy, and it has built a road from Goshen, the terminus of the San Joaquin Valley road, to Maricopa Wells in Arizona Territory. The cost of this Southern Pacific Road, which serves to effectually shut out every chance of competition, every prospect of relief to the suffering people of this State, has been wrested from their earnings by this rapacious corporation. Not content with asking us to pay interest on the bonds which were actually expended in the construction of their road, they have forced us to pay the interest on the bonds which came to the Directors as their profit upon its construction. They have forced us to pay eight per cent. dividend upon \$54,000,000 of stock which never cost the parties who hold it one single copper; and they have forced us to pay to them money sufficient to build 900 miles of the Southern Pacific Railroad. It is no longer a question whether we will or will not submit to be thus imposed upon. The time is fast approaching when we shall have no choice in the matter, unless we devise

A REMEDY THAT WILL BE PROMPT AND EFFECTIVE.

In the ten years in which this \$125,000,000 has been levied upon us, this State has not earned that sum. As I will presently show you, we have been called upon to give up, not only all our earnings to this corporation, but a large percentage of our capital. And this is the cause of your hard times. Why should there be hard times in such a country as this? You may go out from this hall in any direction to the north, south or east, and in one hour's ride you will come upon the elements of wealth in unbounded profusion. There is no calling to which the labor of man contributes, that cannot be made and is not of itself extremely profitable in this State. For several years before the completion of this railroad we heard nothing of hard times. From 1860 to 1869, the year when this corporation to which we have given so much and from which we expected so much and received so little commenced its operations, there was an era of almost unexampled prosperity. But from the movement of the first through train over the line of this road, there has been a continuous and steadily-increasing depression of our most prominent and vital interests. And the causes are, a diminution of our business by the discrimination against this city in favor of the cities east of the Mississippi, and by the enormous tribute

exacted by this corporation, which is draining the mass of the people of this State of their capital. I will deal with the

QUESTION OF DISCRIMINATION

Presently, and will now explain how I arrive at my conclusion as to loss of capital. The past year, 1878, was a fruitful one ; our crops were large, our product was above the average we are likely to attain with our present population. From the best information I can obtain I estimate

The productions of this State for that year, excluding minerals, at.....	\$30,000,000
The cost of production at.....	20,000,000
	\$10,000,000
The net product of minerals over the expense of extraction, separating and refining is estimated by competent judges at about.....	10,000,000
Total net product.....	\$20,000,000
Of the \$17,500,000 received during 1878 by the railroad company, the business in this State was about.....	\$8,000,000
Of the other \$9,500,000 the people of this State undoubtedly paid one-half, say.....	4,750,000
And as the proportion of the Central Pacific on the through business is one-third of the whole, we must have paid the corporations east of Ogden about.....	9,500,000
Total paid for railroad transportation for the year 1878	\$22,250,000

This does not include the cost of transportation performed by other carriers by land or water, but you see enough to demonstrate the proposition that this railroad sponge is absorbing each year, not only our net earnings, but a portion of our capital. The difference comes from the capital of your mechanics, of your shop-keepers, of your merchants, of your farmers. It is time this thing should cease. It is time that the three or four men who own this railroad company should avow themselves satisfied ; or if they do not, that they should be compelled to be satisfied with the profit they made in building the road, with the bonds they took into their possession, with the dividends on the \$54,000,000 of fictitious stock, with their twelve million acres of land, which they stated in one of their petitions to Congress was worth \$2 50 per acre. It is time they should be satisfied with the ownership and possession of their connecting lines, the California Pacific Railroad, the Oregon Railroad, the San Joaquin Railroad, the Oakland and Alameda ferries,

the boats covering the rivers of the State, and with a second trans-continental railroad, all of which they have made out of the earnings of this people, and that we should be relieved of the depleting process to which we have up to this time been so mercilessly subjected.

THE DISCRIMINATIONS PRACTICED

By this railroad company towards persons and places are as intolerable as their excessive charges. By favoritism shown to certain relatives of its Directors, a practical monopoly of the wholesale hardware and iron business has been vested in one firm in San Francisco and Sacramento that furnishes a plaintiff when it is desirable to test the validity of an objectionable Act of Congress. Queen Elizabeth or King Charles never exercised their prerogatives to grant to their favorites special monopolies in their faithful colonies of Virginia or the Carolinas with more assurance than does this all-powerful corporation in bestowing special privileges on its adherents over the commerce of California. By its tariff on the transportation of ice it has given a monopoly to one company, in which its Directors are interested, which compels us to pay $2\frac{1}{2}$ cents per pound, or \$50 a ton. The people of New York can buy ice delivered at their doors at 30 cents a hundred pounds, in small quantities; large consumers, such as hotels, pay only 17 cents a hundred pounds, or \$2.50 per ton. The tariff for refined sugar is \$1.50 per 100 pounds from New York to San Francisco, but it is \$1.68 per 100 pounds from San Francisco to Ogden, and it costs more to send any merchandise from San Francisco to Reno than from New York to San Francisco. The freight on whisky is 18 cents per 100 pounds less from Louisville to Maricopa Wells than from San Francisco to Maricopa. These instances of unintelligent and oppressive discrimination might be continued indefinitely, but these are enough to convince you of the imperative need of enacting legal restraints against the continuance of such a system. But

THE ACME OF CORPORATE TYRANNY

Is displayed in the contracts which it extorts from our merchants. It says to them: "Our tariff on a certain class of goods from New York to San Francisco is \$6 a hundred pounds, \$120 per ton, or \$1,200 a car-load. If you sign a contract to send all your goods by us, we will take them at those rates; if you do not sign the contract we will charge you double those rates on what you may place on our cars." That is, the refractory trader must pay \$12 per 100 pounds, \$240 a ton, or \$2,400 a car-load. A short time since one of our Front Street merchants received a letter from railroad headquarters, notifying him that the Argus-eyed official charged with the duty of watching such matters, had discovered that on a car-

tain ship then on her voyage from New York to San Francisco there were some packages consigned to him, and requesting an explanation. Another merchant received a similar missive, informing him that the railroad authorities had been apprised that he had purchased merchandise which had been brought around Cape Horn, and if the offense was repeated the company would terminate his contract and charge him double rates. All this was done in an American city in the third year of the second century of the nation's independence. I ask you, will you permit this autocratic power to continue its existence until it accomplishes the destruction of your commerce and the extinction of your manhood? Now, this is the evil from which we suffer, and the question is, how will you remedy it? You have adopted a Constitution which provides for the appointment of three Commissioners who are to establish a tariff. You will understand that this provision of the Constitution is not in itself operative. It requires both

LEGISLATIVE AND EXECUTIVE ACTION

To give it effect. The Legislature must provide the machinery for enforcing the views and decisions of the Commissioners, and it is to provide also for their compensation. The concurrence of the Governor of the State is requisite to give force to the legislative enactments, unless the Legislature shall by a two-third vote be enabled to override his veto. And after all the necessary power is given the main question is left to the discretion of the Commissioners. It therefore becomes a matter of deep import to you that you have a fair and full understanding with all persons seeking your suffrages, that they will, if elected, faithfully and honestly administer their offices so as to give you the relief you require. It will not do to be satisfied with a general assurance that they are in favor of a proper reduction, because we have the experience of the past that such general pledges are not deemed to be of any binding force or effect after election.

In 1874 the platforms of both political parties of this State, Republican and Democratic, contained clauses in favor of the reduction of railroad charges. The present Governor of the State, in his first message to the Legislature, called attention to the subject in these words: "The State is bound to protect the public against the injustice and oppression of rates which yield excessive returns on the capital invested." But in spite of all the pledges that were given by candidates prior to election; in spite of this admonition of the chief magistrate, we obtained no relief whatever. A bill known as

THE ARCHER BILL

Was introduced into the Assembly by that honest and incor-

ruptible gentleman, Judge Archer, of Santa Clara, providing for a moderate reduction of the rates of transportation. It went to the Railroad Committee of the House, of which Judge Archer was one, and a majority of that Committee reported on it adversely. Judge Archer and another member of that Committee, I believe, made a minority report in its favor. It was thoroughly debated in the House for several days, and passed that body by a vote of 68 to 8. It was beaten in the Senate, by means which I think you understand, by a small vote, but undoubtedly the railroad company could have made that vote larger in its favor had it so desired. The ostensible grounds given by members of the Senate and members of the Railroad Corporation Committee of the Senate, of which our present United States Senator, Mr. Farley, was Chairman, was, that it was a subject which they could not understand. I do not doubt that some of that Committee spoke in good faith when they said they did not comprehend the subject. I had the honor of appearing before that Committee in support of the bill, and when I saw the tactics resorted to by the Railroad Company to confuse, mystify and mislead the Committee. I certainly could not find any fault with any of its members when they said they did not understand the subject.

THE PRESIDENT OF THE CORPORATION

appeared before it with a staff of employees. For days and nights his followers stood before the members of that committee, pelting them remorselessly with figures, deluging them with statistics and enveloping them in the mysteries of railroad bookkeeping, until what the gentlemen were pleased to term their minds revolted from the whole subject and they referred it back to the Senate. All the eloquence of that body was then exerted in descanting on the wrongs that would be inflicted upon the railroad company by the passage of that bill. Every Senator who was grateful for favors to come at the hands of this corporation arose in his place and pointed out that the tariff was certainly low enough, and it would be a manifest injustice to interfere with it. I had shown to the Senators who advanced these views, as I have shown to-night, that the Central Pacific was receiving more money per mile than any railroad in the United States. The bill, as I have said, was defeated; but as a sop to the public to quiet its clamors, as you would soothe the wailings of a restless infant, that empty and meaningless mass of nothings denominated the O'Connor bill was placed upon the statute book, authorizing the Governor of this State to appoint three Commissioners to obtain statistics upon railroad affairs and report to the next Legislature. I incline very strongly to the opinion that if the railroad company had not understood that the Com-

missioners to be appointed should be gentlemen who were in no manner adverse to their interests, they would not, having control of the Senate, have

ALLOWED THE BILL TO BECOME A LAW,

But Governor Irwin, who seemed to think that the Legislature really meant something, appointed General Stoneman, John T. Doyle and Isaac W. Smith—three determined, intelligent, and conscientious gentlemen. They applied to the railroad company for the information that the law required them to seek. And the result of that application may be seen on reference to the calendar of our Supreme Court in the cases now standing there awaiting hearing, under the title of "The Board of Transportation Commissioners against the Central Pacific and the Southern Pacific Railroad Companies." Those Commissioners were too much in earnest. If they had been continued in office they would probably have hurt somebody's feelings. And so at the last session of the Legislature (1877-8) a bill was passed which resulted in turning them out. The Commissioners had prepared bills regulating railroad charges, which were introduced in the Senate and referred to the Committee on Corporations. The Commissioners asked a hearing before the committee on the merits of their bills, which request appears to have been denied, and Mr. Commissioner Doyle addressed a letter to the committee respecting one of the bills, from which I copy as follows:

"It will be a measure which, without doing the slightest injustice to the railroad companies, will give infinite relief to the distressed farmers of the valleys of California. At present the companies, by their tariff, practically say to them: We will not transport your crops to market at Marysville, Sacramento, or Stockton, unless you pay us the full price of taking them all the way on to San Francisco; nay, in addition, we insist on being paid for the further service—useless to you though it be—of raising them 500 feet perpendicularly in the air and letting them down again—for such is the grade over the Western Pacific road. The injustice of this discrimination is so obvious that its defense has never, so far as I am aware, been attempted, and it appears to me to be indefensible."

But the Legislature turned a deaf ear to the official statement thus presented and refused to enact any remedy. In the light of this experience, it is, therefore, more than evident that if you desire your Representatives shall give you the relief of which you stand so much in need,

YOU MUST INSTRUCT THEM EXACTLY WHAT THEY ARE TO DO;

Demand of them a pledge that they will do it, and hold them strictly to the performance of their promise. During the session of 1875-6, while the Archer bill was pending, Mr. Stan-

ford addressed to the Committee on Corporations of the Senate a printed pamphlet, a copy of which I now hold in my hand. It is a remonstrance against legislative interference with the tariff of his companies, and he says: "*It is no answer that the people have otherwise instructed their representatives.*" That Committee and that Senate betrayed their constituents, and gave their votes in favor of Mr. Stanford and against the people. I do not believe that this people intend to be trifled with upon this subject much longer, and I do not believe that they will be satisfied with the mere promises of their servants and their constant betrayal. I believe that the day will come when this will be a very unhealthy locality for any unfaithful public officer who violates the pledges by which he secured an election. I do not propose to make my position here the means of advocating the claims of any gentlemen to your suffrages for any office. But I simply say to you that whoever you do vote for, pledge him to the advocacy of a specific mode of relief, and see to it that his pledge is specifically redeemed, and that mode I will now discuss.

Conscious as I am, and as you must be, of the injustice that this railroad company has perpetrated on this community; base as has been and is its ingratitude toward all those who have befriended it, from the Government of the United States to the smallest municipality that gave it aid, or the individual who allowed it to cross his land without compensation, I would not counsel doing the slightest injustice in return. Let us be fair; let us do that which we believe to be right, and demand that we be treated in the same way. I advocate, gentlemen, and I ask you to demand of those for whom you vote, whether for Governor, for members of the Legislature, or for Railroad Commissioners, that they will accomplish

A REDUCTION IN THE NET EARNINGS

Of this railroad company of one-third of the present amount. Now let us see what that will result in. Compelling the administration of the affairs of the company by the direct agency of its officers and employes, and withdrawing it from the debilitating process of the Western Development Company and kindred associations, the average annual net earnings of this corporation may be put in round numbers at \$10,000,000. Reducing that by one-third brings it to \$6,666,666. It is claimed by this corporation that it is paying for interest upon its bonded indebtedness \$3,700,000. Of course this includes the interest on all the bonds held by Stanford & Co. Taking out, however, the whole sum leaves \$2,966,666. Deducting further the amount to go annually to the United States Government in reduction of its indebtedness, in obedience to the requirements of the Thurman Act, \$1,250,000, we find the residue to be di-

vided among the four persons owning the railroad is \$1,716,666, or over \$429,000 to each per annum. In addition to this they will receive interest upon the bonds which they hold, and which is provided for in the item of \$3,700,000 which I have just mentioned, and they will receive for fifteen years longer \$105,000 per annum from the State Treasury. Surely they should be satisfied with a net income which pays to each one of the proprietors of the road nearly \$1,300 a day.

THERE IS NO HARDSHIP IN THIS.

There is no good faith in urging that this is an unwarrantable or excessive reduction. They have other abundant means of income derived from their lands and from the various investments which they have made of the money previously drawn from you.

In addition to these figures, I give you the following statistics compiled by that very useful and energetic paper, the *San Francisco Chronicle*:

First—The Pennsylvania Railroad Company, operating over 3,000 miles of road in the thickly populated States west of Pittsburgh, during the Centennial year was not able to earn as much by \$1,709,583.47 as the Central Pacific, operating less than 1,400 miles of road and running through one of the most sparsely populated regions of the United States.

Second—The Pennsylvania Railroad Company, east of Pittsburgh, operating 1,670 miles of road and controlling the immense passenger and freight traffic of the Centennial, showed an amount of net earnings for the same year, \$1,654,500 behind the amount earned by the Central Pacific.

Third—The far-famed Erie, operating five-sevenths as many miles, was yet \$5,794,610 behind in its net earnings.

Fourth—The Chicago, Burlington and Quincy, operating about the same number of miles of road, was \$3,832,326 behind in its net earnings.

Fifth—The Illinois Central, operating 1,107 miles, could not exhibit an amount of gross earnings by \$2,373,900 as great as the net earnings alone of the Central Pacific, while the net earnings fall \$6,992,251 behind. And yet the Illinois Central is supported by two such powerful States as Iowa and Illinois. A further comparison will show that in the case of the Central Pacific the net earnings are considerably more than one half of the entire amount earned, while they were only eleven-seventeenths with both divisions of the Pennsylvania Central and scarcely one-fifth in the case of the Erie.

All the consideration, the tenderness and sympathy of our public men and officials has heretofore been for the interests of the railroad company; we have heard no such expressions on behalf of the people. If any risks are to be taken; if the question is whether the merchants, the farmers, the manufacturers and the traders are to be oppressed as they have hereto-

fore been; whether the little commerce that now remains to us is to be totally destroyed and our noble harbor deserted, or whether

THIS PAMPERED CORPORATION

Is to take the risk of some temporary inconvenience by reason of the diminution of its enormous income, it would seem to be not only politic but in accord with every principle of equitable justice that we should require this corporation to make the experiment, if, indeed, it be any experiment. If the plan that we advocate is found to be too onerous—to be too harsh; if, after a fair trial, it is discovered that this reduction that we now propose is too great—it will be easy enough to concede something. But let us make a beginning; let us make this trial. Give, for a short time, some ease and relief to the suffering business interests of this community. There will, according to the provisions of the new Constitution, be only about eight months' interval between the adjournment of the first Legislature and the meeting of the second, and if anything that is done at the first session shall be found to work harshly or unjustly, it can very easily be remedied. But unless we pledge the Representatives and Commissioners we are now about to elect to the accomplishment of certain and definite acts, we will find that we have received no substantial benefit from changing our Constitution.

Although I have said that I do not intend to make this a partisan speech, yet I cannot forbear reminding you that the only one of the three candidates for Governor who

HAS AVOWED HIMSELF UNEQUIVOCALLY IN FAVOR OF REDUCING THE RAILROAD TARIFF,

Is Dr. Glenn, the joint candidate of the Democratic and New Constitution parties, and the only one of the candidates for Railroad Commissioner in this District expressing the same views is Mr. Soule. Both these gentlemen have been frank in their statements upon this point, as men seeking such high and important positions should be. Mr. Gorham, in his remarks upon this subject, said in substance that he would concede that the Legislature had no power to interfere with the charges of this railroad corporation beyond this State. I do not agree with Mr. Gorham in this view. I contend that the Central Pacific Railroad Company, being a corporation created by the Legislature of this State, is subject to the power of its creator to say what contracts it shall make in this State, or what contracts of its making can be enforced within this State. The Legislature may certainly say, as a condition of the corporate franchise, that it shall not charge more than so much per ton per mile over any road owned by the corporation, whether in or beyond this State. It may say that

no contract to be performed in this State shall be valid which fixes a rate higher than the maximum that the Commissioners prescribe. I can see no good reason or force in the argument that the Legislature's power over a corporation of its own creation is limited to regulating its use of that portion of the highway which lies within the limits of this State. It is true it may not authorize it to do anything which is in conflict with the laws of any other State or Territory through which the road runs. But certainly it is entirely within its province to determine what contracts made or to be performed within the State shall be deemed legal and be enforced by our Courts, and

MAY PRESCRIBE A PENALTY

For making any it forbids. If the Legislature may say, as it undoubtedly can, that this corporation shall not exist at all, then it must necessarily possess the power of enacting the use it shall make of its franchise, which it holds only by the legislative will, and which may be determined and ended at the legislative discretion. But if it should be decided that the State has not the power I claim for it, Congress can deal with the question of the charges upon the through business or the inter-State business, and we can apply our process of reduction to the amount of the railroad gross charges in this State, instead of the net earnings of its whole business. The result in either case will vary but little. My figures will leave a net income to each one of the railroad proprietors of about \$429,000 per annum. Mr. Gorham's process makes it about \$20,000 per year more. It is unimportant by which of these modes we reach the desired result; either will do. Certainly I can see no valid grounds upon which it can be held that the power of the Legislature over this corporation is limited to its earnings only upon that part of the road within this State. The grants of power from Congress by which the Central Pacific derived its right to build through the then Territories of Nevada and Utah were approved and confirmed to it by an Act of the Legislature of this State passed at the session of 1863-4.

I have thus, as briefly as I could, and without any desire to array your feelings or passions against this corporation, appealed to you to give your support to this much-needed relief. Take from the drooping energies of our people the terrible incubus which is weighing them down, and you will find a vast difference in the future progress and prosperity of this State. When we are relieved of our imposts to the extent of \$3,000,000 per annum we shall be a more

PROSPEROUS, CHEERFUL AND CONTENTED COMMUNITY.

We shall not hear of hard times. There will be more farmers reaping where they have sown than now. Instead of the little shanties which to-day constitute the residences of a great number of those engaged in the tillage of the soil, you will see scattered through the agricultural districts fine homesteads, fruitful orchards, and all the surroundings of a happy and contented people. I have sought to present my views to you without any unnecessary acerbity of speech. I have availed myself of this occasion simply for the advancement of my own and your interests, not for the purpose of doing injury or damage to any one. But I feel, as you must feel, that the time has come when the great trust confided by the nation to these railroad people must be administered in a different and more intelligent manner if it is to be administered by them at all. The time has come when discriminations against persons and communities in the transportation of persons and property must cease. The time has come when we will no longer permit that the charges upon a carload of goods from here to Truckee shall exceed the cost of moving the same goods from New York to San Francisco. The time has come when we will no longer permit that merchandise shall be brought from the city of Louisville, or from Cincinnati, or any of the commercial emporiums of the West, and be carried past our doors and delivered in Arizona Territory at less than we pay for the transportation of the same goods from San Francisco to the same point of destination. And that is

ALL WE ASK.

We ask nothing unreasonable, nothing unjust, nothing that one upright, conscientious and fair-minded business man may not ask of another, and we will be content with no less. We ask it because our needs imperatively demand it. We ask it because we are not willing this Golden State, which we have done so much to build up, shall pass from our control under the domination of four men who are constituted a corporation. We stand to-day in the same position as did the patriots of 1776, when they contended that there should be no taxation without representation. We will not consent that these four men shall meet in their back room on the corner of Fourth and Townsend streets and levy imposts upon our commerce and our property, of the extent of which we have no advice until their tax-gatherer knocks at our door for payment. I have shown you the wrongs from which we suffer, and the relief to which we are entitled. This is a curious contest. The complainants in this case are 750,000 in number; the defendants are but four. It is an eloquent commentary upon our

capacity for self-government, upon our social system and our code of laws, that the multitude meet in this quiet and peaceful way to demand justice from the few. As we are strong, so let us be resolute, keeping always within the laws made for our common government, and we cannot long fail to obtain the desired result. Let us say with Ajax, "Give us light, truth and justice." We ask no more.

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